

**Illinois Department of Revenue
Regulations**

Title 86 Part 140 Section 140.701 Requirements

TITLE 86: REVENUE

**PART 140
SERVICE OCCUPATION TAX**

SUBPART G: BOOKS AND RECORDS

Section 140.701 Requirements

- a) Every supplier required or authorized to collect the tax imposed under the Act, and every serviceman making sales or transactions which are subject to the Act, shall keep all sales invoices, purchase orders, merchandise records and requisitions, inventory records, credit memos, debit memos, bills of lading, shipping records, and all other records pertaining to any and all purchases and sales of goods whether or not the supplier or serviceman believes them to be taxable under the Act; and the supplier or serviceman shall also keep summaries, recapitulations, totals, journal entries, ledger accounts, accounts receivable records, accounts payable records, statements, tax returns, and other documents listing, summarizing or pertaining to such sales, purchases, inventory changes, shipments or other transactions.
 - 1) Where such records are voluminous, such records must be kept in chronological order, or in some systematic order which is in accordance with the taxpayer's regular bookkeeping system.
 - 2) Records kept on punched cards, magnetic tape, and other mechanical or electronic record keeping methods will be considered permissible; provided that the taxpayer makes available all necessary codes and equipment to enable the Department to audit such records, or provides a written transcript of those parts of such records which the Department wishes to examine.
- b) Such books and records must clearly indicate and explain the complete information (deductions as well as cost price) which provide the basis for the information required for tax returns and shall, at all times during business hours of the day, be subject to inspection and audit by the Department or its duly authorized agents and employees. Such books and records must be kept in the American language. Such books and records must be kept in Illinois except in instances where a business has several branches, with the head office being located outside Illinois, and where all books and records have been regularly kept outside the State at such head office. The taxpayer must, within a reasonable time after notification by the Department, make all pertinent books, records, papers and documents available at some point within Illinois for the purpose of such inspection and audit as the Department may deem necessary.
- c) Where the nature of a business is such that a portion of sales are nontaxable for any reason, then such records as will clearly indicate the information required in filing tax returns must be kept. Entries in any books, records or other pertinent papers or documents of the taxpayer in relation thereto shall be in detail sufficient to show the name and address of each purchaser to whom a sale is made, the character of every such transaction (i.e., whether it is a sale for resale other than as an incident to a sale of service, a sale made within the protection of the Commerce Clause of the Constitution of the United States, etc.), the date of every such transaction and the amount of cost price involved in every such transaction.

- d) Books and records and other papers reflecting transactions during any period with respect to which the Department is authorized to issue Notices of Tax Liability as provided by Section 12 of the Act shall be preserved until the expiration of such period unless the Department, in writing, should authorize their destruction or disposal prior to such expiration. This means that, in the absence of fraudulent returns or the willful refusal to file returns as to which there is no limitation, books for a given 6-month period from January through June, or from July through December, as the case may be, must be preserved for 3 years after the end of such 6-month period (e.g., books for January through June, 1962, must be preserved through June 30, 1965, etc.). However, if a Notice of Tax Liability has been issued, and if the questions raised thereby have not been completely disposed of, books and records reflecting information relevant to transactions which took place during the period covered by such Notice of Tax Liability must be preserved until the termination of all proceedings before the Department and before any court upon review.
- e) In all cases the Department may, in writing, authorize the destruction of books and records and other papers prior to the expiration of the periods of time during which the taxpayer, except for such written authorization from the Department, is required to keep his books and records. (See Retailers' Occupation Tax Regulations, Section 130.825.)

(Source: Amended at 6 Ill. Reg. 2883, effective March 3, 1982)